INFORMATION LETTER

Not for Publication **NATIONAL CANNERS ASSOCIATION** For Members Only

No. 875 **Washington, D. C.** **March 21, 1942**

CANNERS APPEAR AT TAX HEARING

Urge Additional Relief for Industry Under Excess Profits Tax Law

Problems of the canning industry under the Federal Excess Profits Tax Law were presented to the Committee on Ways and Means of the House of Representatives this week by two representatives of the National Canners Association. The Committee at present is holding hearings on the proposed Revenue Act of 1942, designed to raise $7,000,000,000 of additional Federal revenue. A substantial portion of this additional revenue is expected to come from increases in the excess profits tax rates.

Appearing for the Association, Mr. Henry P. Taylor of Walkerton, Virginia, and Mr. W. B. Stokely, Jr., of Indianapolis, urged upon the Committee the necessity of providing some additional relief for the canning industry. They pointed out that the high excess profits tax rates proposed would not, under the present structure of the tax law, permit canners to make up the impairments of capital suffered through losses of earlier years, and to lay aside necessary reserves for losses that will undoubtedly be experienced in future years.

Mr. Taylor suggested that a measure of relief could be granted by permitting canners to include 100 per cent of their borrowed capital in computing invested capital for excess profits tax purposes. (Under the present law, only 50 per cent of borrowed capital may be considered for these purposes.) To support this amendment, Mr. Taylor explained to the Committee the peculiar characteristics of the canning industry, pointing out its extremely hazardous and unpredictable nature. He stated that the industry experiences more or less definite cycles of profit and loss, and that the industry normally has only one really good year for every two or three years of losses or mediocre earnings. He indicated that the present law does not permit canners to recoup the losses of bad years with the profits of good years because the greater portion of these profits of good years would be paid out in the form of excess profits taxes. It is impossible for most canners to utilize the "average earnings" method of tax computation, he explained, since the base years, 1936 to 1939, were, for most of the industry, years of low earnings and losses. The invested capital method is equally unsatisfactory, he pointed out, since most members of the industry are greatly undercapitalized and dependent to a very large degree upon borrowed capital. Only 50 per cent of this borrowed capital may now be utilized in computing invested capital.

The amendment offered by Mr. Taylor to permit canners to utilize 100 per cent of borrowed capital in computing invested capital reads as follows:

In lieu of subsection (b) of Section 719 insert the following subsections:

(b) *Borrowed Invested Capital.* The borrowed invested capital for any day of any taxable year shall be determined as of the beginning of such day and shall be (except as provided in subsection (c)) an amount equal to 50 per centum of the borrowed capital for such day.

(c) *Borrowed Invested Capital of Corporations Engaged in Processing Certain Commodities.* In the case of a taxpayer 65 per centum or more of the gross income of which for the taxable year is derived from processing, canning or otherwise preparing for market any fruit or vegetable or seafood, the borrowed invested capital for any day of any taxable year shall be determined as of the beginning of such day and shall be an amount equal to 100 per centum of the borrowed capital for such day.

Mr. Stokely endorsed Mr. Taylor's proposal, but suggested that further relief is needed. He emphasized the tremendous increases in production which canners are making to assist in the war effort, and pointed out that canners have been asked to withhold a large percentage of their packs for possible future sale to the Government. These increases

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APPRAISAL OF RUBBER SITUATION

Details of Henderson's Study of Conditions as Given to Senate Committee

Highlights of a presentation of the current rubber supply situation made March 5 by Price Administrator Leon Henderson before the Senate Committee Investigating National Defense Activities were published in the March 7 INFORMATION LETTER. Part of Mr. Henderson's testimony consisted of the presentation of three statistical tables which demonstrated (1) what stocks of rubber in the hands of the United Nations would have amounted to at the end of a year at the rate of consumption before rationing and allocation orders were imposed, (2) what this picture would have been on the basis of delivery of specified amounts of synthetic rubber and (3) the situation which will result from the 25 per cent reductions to all classes of users—military, civilian, Lend-lease, etc.—recently imposed by the Requirements Committee of the War Production Board. It was felt that a reproduction of the data in Mr. Henderson's tables, along with additional detail of his remarks to the Senate Committee, would help canners arrive at a more realistic appraisal of the problem that has arisen through Japanese seizure and present control of areas from whence comes 98 per cent of the world's crude rubber supply.

The following table was set up from Mr. Henderson's data and indicates that at the normal rate of use of rubber before rationing the United Nations would have had net stocks at the end of this year of only 278,000 tons and

would have faced a complete exhaustion of stockpiles by the end of March of next year:

	1942	1943	1944
Supply:	*Tons*	*Tons*	*Tons*
Stocks at beginning of year	693,000	278,000	−468,000
New supplies during year—			
Crude rubber shipments	434,000	135,000	98,000
Synthetic rubber	25,000	165,000	362,000
U. S. grown guayule	....	1,000	5,000
Total supply	1,152,000	579,000	−3,000
Utilization:			
U. S. Military Forces, Lend-lease, South American export	409,000	617,000	617,000
U. S. civilian	200,000	165,000	165,000
Rest of Non-Axis world	265,000	265,000	265,000
Total utilization	874,000	1,047,000	1,047,000
Stocks at end of year	278,000	−468,000	−1,080,000

In view of the situation represented by the above table, Mr. Henderson pointed out that it was necessary to consider what relief was possible from an increase in the actual delivery of synthetic rubber in the amount of 300,000 tons in 1943, and 600,000 tons in 1944. The next table presents this picture and indicates that as far as the crude rubber picture is concerned we would still have exhausted our stockpile by May of 1943.

	1942	1943	1944
Supply:	*Tons*	*Tons*	*Tons*
Stocks at beginning of year	693,000	278,000	−333,000
New supplies during year—			
Crude rubber shipments	434,000	135,000	98,000
Synthetic rubber	25,000	300,000	600,000
U. S. grown guayule	....	1,000	5,000
Total supply	1,152,000	714,000	370,000
Utilization:			
U. S. Military Forces, Lend-lease, South American export	409,000	617,000	617,000
U. S. civilian	200,000	165,000	165,000
Rest of Non-Axis world	265,000	265,000	265,000
Total utilization	874,000	1,047,000	1,047,000
Stocks at end of year	278,000	−333,000	−677,000

With the above stark picture in mind, Mr. Henderson continued, the War Production Board was compelled to cut down the allocations to all classes of users in the United Nations picture by 25 per cent. The effect of this drastic action is shown in the following table:

	1942	1943	1944
Supply:	*Tons*	*Tons*	*Tons*
Stocks at beginning of year	693,000	496,500	147,250
New supplies during year—			
Crude rubber shipments	434,000	135,000	98,000
Synthetic rubber	25,000	300,000	600,000
U. S. grown guayule	....	1,000	5,000
Total supply	1,152,000	932,500	850,250
Utilization:			
U. S. Military Forces, Lend-lease, South American export	306,750	462,750	462,750
U. S. civilian	150,000	123,750	123,750
Rest of Non-Axis World	198,750	198,750	198,750
Total utilization	655,500	785,250	785,250
Stocks at end of year	496,500	147,250	65,000

The Administrator pointed out that in none of the three tables he presented does the allocation for United States civilian purposes provide any rubber for any of the 30,000,000 passenger cars now in operation and that, accordingly, the action recently taken to freeze all existing stocks of tires was justified. He expressed the belief that failure to achieve the delivery of the 900,000 tons of synthetic rubber during 1943 and 1944 would make the situation immeasurably worse.

The data in Mr. Henderson's tables takes no account of the relief possible through reclamation of rubber. In his presentation to the Committee the Administrator developed this phase of the picture after cautioning that "the most important fact about reclaim is that few products can be made from it alone. In almost every case some crude rubber must be mixed in." Mr. Henderson's appraisal of reclaim possibilities was as follows:

At the present time we have capacity to produce about 350,000 tons of reclaim rubber a year. I hope to see this capacity expanded in the months ahead. But so far as civilian uses are concerned, I do not expect that there will be much more than 170,000 tons available. The balance of our production will be required for military purposes or for export.

Ordinarily we require about 40,000,000 passenger car tires for replacement each year plus camelback for recapping about 5,000,000 others. We will be able to meet, through recapping, only about one-seventh of the combined passenger car tire replacement and recapping demand. This means that only those passenger car users on the Class A or Class B eligibility lists will be able to secure recapped tires. As a practical matter it means that we will be doing well if we are able to keep running some of the cars of defense workers, the largest group in the Class B list. In addition, there will be a few new passenger car tires sold from inventory to Class A users. That is the best we can hope for as far as passenger car operators are concerned. Thus you can see there is little hope that the ordinary passenger car operator can get either a new or recapped tire in 1942, 1943 or 1944.

This means that when the tires on the average passenger car begin to go bad that car will have to be taken out of operation. We hope at best as we see it now to maintain in operation over the next three years a total of 7,500,000 passenger cars, including those belonging to a large number of defense workers.

But this can be done only if speeds are kept below 40 miles an hour, if tires are given the best of care, if they are inspected frequently to insure recapping when the proper time arrives, and if all unnecessary driving is eliminated. It can be done only if we expand our reclaiming capacity and our recapping facilities, if we make a vigorous effort to collect all of the scrap rubber possible, and if we rigidly control the use of reclaim rubber for civilian purposes. We know that in 1943 and 1944 recapping of passenger car tires alone will not be sufficient. We will have to supplement recapping with some new tires in those years and those new tires will have to be made almost entirely from reclaimed rubber.

If we don't use extreme care in driving speeds, tire inspection and tire maintenance, if we don't campaign vigorously for scrap rubber, and if we don't control the use of reclaim rigidly we may be faced with the necessity in 1943 and 1944 of severe gasoline rationing to preserve tires or as some have suggested confiscation of tires on private cars. We must insure a certain minimum of passenger transportation.

In closing, I want to warn the public against holding out any hope of getting substantial amounts of rubber in the near future from Brazil or from the guayule plant. Brazil never has produced more than a small fraction of our needs since the use of automobiles became widespread in this country. We can expect a little expansion of production there but the problems of labor, transportation, and initial

processing at the source will be extremely difficult to overcome. Likewise, several years would be required to develop the cultivation of guayule on a volume basis. We cannot expect substantial relief from either of these sources soon.

WAR DAMAGE INSURANCE

Bill Approved by Congress and Goes to the President for Signature

The bill (S. 2198) authorizing the expenditure by the Reconstruction Finance Corporation of $1,000,000,000 to finance the War Damage Corporation (previously called the War Insurance Corporation in the Federal Loan Agency) was reported by the Conference Committee on March 17th, approved by both the House and Senate on March 18th, and has now been sent to the President for his signature.

As finally approved by Congress, the bill authorizes the War Damage Corporation to provide protection against loss or damage to real or personal property which may result from enemy attack, including loss or damage resulting from any action taken by the armed forces of the United States in resisting enemy attack. This protection may be provided through insurance, reinsurance, or otherwise.

It will be recalled that one of the problems involved in consideration of this legislation was the question as to the extent to which the Government and property owners should share the possible losses and whether coverage should be nation-wide at the same rates. The bill passed by Congress specifies that protection shall be afforded only on the payment of premiums, and "in view of the national interest involved, the War Damage Corporation shall from time to time establish uniform rates for each type of property. . . ."

This language occasioned comment on the floor of the House, and Chairman Steagall of the House Committee on Banking and Currency stated that the General Counsel of the Reconstruction Finance Corporation had interpreted this language to mean that the War Damage Corporation would establish a uniform rate throughout the United States on the various types of property, and, second, it enunciated the intent of the Congress that the premium rate should be established as low as it could be, consistent with good business practices, but that it did not otherwise set up a standard for the establishment of any rate. In a letter to the Congressional Committees, Secretary of Commerce Jones has indicated that these premiums will probably be uniform throughout the United States and that they will range from 10 cents to 20 cents per $100 of coverage, dependent upon the value of the property insured.

Another issue debated by Congress during the consideration of this bill was whether or not this protection should be free, and if so, the extent of the free protection which should be provided. At one stage in the consideration, it was proposed that protection up to $15,000 should be provided without the payment of any premium. But as finally enacted, the bill contemplates no free protection and specifies that protection is to be afforded "upon the payment of such premium or other charge as the War Damage Corporation, with the approval of the Secretary of Commerce, may establish."

The bill specifies that this protection is to be afforded not only to property located in the United States, but also to property in the Philippine Islands, the Canal Zone, and the territories and possessions of the United States (including Alaska and Hawaii). The War Damage Corporation may, however, suspend or limit protection in any particular area if loss of control of this area by the United States makes it impossible or impracticable to provide protection. The protection also extends to property in transit between the United States and its possessions, except to the extent that the U. S. Maritime Commission is already authorized to insure such property.

The bill does not specify in detail the particular types of property to which protection is to be afforded, but indicates that the War Damage Corporation may extend coverage to any property, real or personal, with such general exceptions as the War Damage Corporation may, with the approval of the Secretary of Commerce, deem advisable.

The insurance program authorized by this bill is, of course, completely voluntary in nature. Contracts or policies of insurance apparently will be issued to property owners desiring them, upon the payment of such premiums as the War Damage Corporation may establish.

The program thus established will replace the temporary program announced by the Federal Loan Administrator on December 13, 1941 (see the INFORMATION LETTER of December 20, 1941). The new insurance program is to become effective on such date, not later than July 1, 1942, as the Secretary of Commerce may determine. The bill provides, however, that any damage sustained between December 6, 1941, and the effective date of the new program, is to be compensated for by the War Damage Corporation without the payment of any premium, "and such loss or damage may be adjusted as if the policy covering such property was in fact in force at the time of such loss or damage."

Conversion of Idle Food Plants Sought by WPB

The Food Supply Branch of the War Production Board announced March 17 that every effort will be made to convert to war uses those food plants which have been closed or whose operations have been curtailed for any reason. Some canning plants, for instance, are known to have equipment made idle by the recent limiting order for tin cans.

Any canner having a plant closed or seriously hampered by Tinplate Conservation Order M-81 is urged to write the Food Supply Branch requesting that the Food Plant Conversion Form be sent him. After receiving the information required by this report, each case will be given individual study. Where this study indicates practical possibilities of conversion, concrete suggestions and technical assistance will be given, it was stated.

Tin Permitted for 1941 Beet and Carrot Stocks

The tin limitation order is being further eased by the granting of permission for the use of tinplate necessary to can beets or carrots from the 1941 crops now held by canners. The War Production Board, however, freezes the canned beets and carrots prepared pursuant to such permission.

USDA REPORTS ON FARM LABOR

1942 Supply to be Even Smaller and 20 Per Cent Wage-rise is Expected

A farm labor report issued March 16 by the Department of Agriculture, deals with the reduction in available rural labor supply which has been brought about by demands for manpower in war industries and the armed forces during the past 18 months. Prepared in the Bureau of Agricultural Economics, the report estimates that "farm wages this year may average 20 per cent higher than in 1941" on the basis of farm income and labor supply.

A further reduction in the supply of farm laborers is expected to lower this year's total below the average of 10,267,000 hired and family farm workers in agriculture during 1941. In 1941 the number of farm workers totaled 10,445,000. Excerpts from the report follow:

Farm employment during the first two months of 1942 has averaged slightly higher than in the corresponding period of 1941. For the remainder of the year farm employment may not be materially smaller than last year. The relative scarcity of farm labor will lead to further increases in farm wage rates which will bring into the farm labor supply persons who do not ordinarily work on farms. In addition, other persons will be drawn in—women, younger persons of high school age, and older persons who normally would not seek or find farm employment. The achievement of the 1942 production goals will require, however, careful planning by farmers for the most effective utilization of what labor is available.

Current estimates of probably nonagricultural employment in 1942 indicate a further increase over the 1941 level of about two to two and one-half million persons, and an addition of approximately 2,000,000 men to the armed forces. In 1942, the supply of workers who in ordinary times would be available for agricultural employment will thus be still further reduced. This reduction of supply will come at a time when farm labor requirements will be increased, due to the expansion in agricultural production called for by the 1942 goals.

Reductions in the labor supply available to farmers in 1942 will not be uniform in the various sections of the country. They will be greatest in the highly industrialized sections of the country, such as the New England, Middle Atlantic and East North Central States, where the reductions have been cumulative despite priorities unemployment. Migratory movements to farming areas which specialize in the production of vegetables and other crops with high labor requirements also may be smaller in 1942 than a year ago. In other areas, where new war industries have been, or will be established, sharp reductions in the labor supply available for farm work may be expected to occur.

Since the beginning of the second World War both farm wage rates and cash farm income have risen somewhat faster than in the comparable years of the first World War. The farm wage rate level early in this, the third year of the present war, was not reached until 1917-18. The gains in farm income since the beginning of the present war have been relatively greater than the rise in farm wage rates. However, farm wage rates normally tend to lag somewhat behind farm income.

Armament production goals set by the President for 1943 will require large increases in employment in the war and defense industries over 1942. At the same time, additional men will be added to the expanding army, navy and marine forces. The reduction in the supply of laborers ordinarily available for use in agriculture will thus occur at an accelerated rate in 1943.

OPA Places Ceiling on Rotenone Prices

Grinders of powdered rotenone bearing root were requested on March 16 not to sell any quantity at a price in excess of 35 cents per pound for five per cent pure rotenone content grade, in telegrams sent out by the Office of Price Administration.

The telegrams specified that increases or decreases of four cents per pound be made in direct ratio to each 1 per cent variation in content per pound above or below the basic grade. These prices are f.o.b. grinder's plant.

Since March, 1941, cost of the root, landed New York, has increased 150 per cent according to OPA. Price of rotenone powder for sale to dust mixers, containing 5 per cent pure rotenone was 20 to 22 cents per pound a year ago. The proposed maximum ceiling level of 35 cents per pound represents a 75 per cent increase in value over a year ago. Recent rotenone powder quotations had ranged around 44 cents per pound.

Stocks and Shipments of Canned Corn

Shipments of canned corn out of canners' hands during the months of August, 1941, through February, 1942, were about 8¾ million cases more than during the same period a year ago, according to figures compiled by the Association's Division of Statistics. Shipments during February, 1942, amounted to about three quarters of a million cases more than in February, 1941. Stocks on March 1, 1942, were about three quarters of a million cases less than the figure reported for March 1 last year.

The following table compares stocks and shipments on selected dates:

	Cases
Stocks:	
March 1, 1942	5,096,645
February 1, 1942	7,646,586
March 1, 1941	5,960,174
Shipments:	
During February 1942	2,549,943
During February 1941	1,667,111
August 1, 1941 to March 1, 1942	22,096,870
August 1, 1940 to March 1, 1941	13,197,293

In the table below are shown stocks of canned corn in canners' hands on March 1, 1942, by varieties and regions:

	Eastern States	Western States
Cream style:	*Cases*	*Cases*
Evergreen	143,175	170,537
Narrow Grain	133,142	114,983
Country Gentleman	43,275	487,184
Crosby	48,597	4,909
Golden	663,322	1,144,511
Whole kernel:		
Golden Bantam	340,245	1,585,366
White	88,582	128,817
Total	1,460,338	3,636,307

These statistics of March 1 stocks are based on reports from 92 per cent of the canners who packed sweet corn in 1942, together with estimates for the eight per cent not reported.

Shipments of canned corn on the cob during February 1942 amounted to: Eastern States—10,239 cases; Western States—47,971 cases. Total stocks of corn on the cob on March 1, 1942, amounted to 133,635 cases, of which 11,712 cases were held in Eastern States and 121,923 cases in Western States.

Stocks and Shipments of Tomato Juice

Stocks of canned tomato juice in canners' hands on March 1, 1942, were 6,320,593 cases as compared with 4,934,245 on the corresponding date in 1941. Shipments during February, 1942, were 1,929,670 cases as compared with 1,675,736 cases in February last year. From August 1, 1941, to March 1, 1942, shipments totaled 13,290,574 cases, or 4,623,360 cases more than during the corresponding period of the previous season. The following table shows the stocks of canned tomato juice in canners' hands on March 1, by can sizes; these figures are based on reports of 85 per cent of the packers canning in 1941 and estimates of remainder.

Can name	Cans per case	March 1 stocks *Cases*
8 Z Tall (including 8 Z Short)	48	150,914
No. 1 Picnic	48	31,073
No. 211 Cyl	48	253,554
No. 300 (including all 300 cans from 407 to 412)	48	753,152
No. 1 Tall	48	143,306
No. 303 Cyl	24	984,772
No. 2	24	379,886
No. 2 Cyl. (including all 307 cans from 505 to 513)	24	454,666
No. 3 Cyl. (including all 404 cans from 615 to 708)	12	1,711,811
No. 10	6	916,496
Miscellaneous tin	..	167,453
Glass	..	373,420
Total	..	6,320,593

Tomato Pulp Pack in 1941

The pack of tomato pulp in 1941, not including pulp packed for remanufacture in the same plant, amounted to 2,755,416 cases of all sizes of containers, according to figures compiled by the Association's Division of Statistics. This compares with 2,104,898 cases in 1940, 2,106,659 cases in 1939, 2,164,202 cases in 1938, and 2,950,789 cases in 1937.

The following table presents the tomato pulp pack by regions for 1941 and 1940:

States	1940 *Cases*	1941 *Cases*
New York	20,487	36,342
Maryland	107,460	132,451
Delaware	(*)	(*)
New Jersey and Pennsylvania	34,987	46,102
Ohio	141,723	170,391
Indiana	514,654	719,109
Michigan	(*)	31,500
Utah	222,550	220,445
California	875,740	1,147,484
Other States	187,297	251,592
Total	2,104,898	2,755,416

(*) Included in "Other States."

Stocks and Shipments of Green and Wax Beans

Stocks of green and wax beans in canners' hands on March 1, 1942, were less than half the amount in stock on the corresponding date last year, according to the Association's Division of Statistics. Shipments from July 1, 1941, to March 1, 1942, totaled 11,683,597 cases, as compared with 7,840,112 cases in the corresponding period of the preceding season. The following table, furnishing details by regions, is based on reports from 92 per cent of canners packing green and wax beans in 1941, with estimates for the eight per cent not reporting:

	Stocks March 1		Shipments during February		Shipments July 1 to March 1	
	1941	1942	1941	1942	1940–41	1941–42
GREEN BEANS:	*Cases*	*Cases*	*Cases*	*Cases*	*Cases*	*Cases*
Northeast	238,544	116,141	79,953	51,725	632,141	954,855
Middle Atlantic	318,408	123,947	171,450	171,342	1,688,370	2,173,813
Mid-West	259,515	90,729	127,821	83,808	1,116,694	1,418,546
Western	728,055	312,396	228,189	296,762	2,086,888	2,827,943
Southern	264,835	120,474	113,599	126,648	1,167,240	2,807,619
Total Green	1,809,357	763,687	721,012	730,285	6,691,333	10,182,776
WAX BEANS:						
Northeast	150,271	85,835	53,699	50,127	395,598	682,043
Middle Atlantic	18,352	6,826	16,081	8,536	164,405	187,980
Mid-West	102,152	50,843	37,782	32,826	510,782	542,964
Western	37,984	12,408	15,464	8,172	74,519	87,834
Southern	....	....	....	....	3,475	....
Total Wax	308,759	155,912	123,026	99,661	1,148,779	1,500,821

Sweet Potato Pack Double Last Year's

The 1941 pack of canned sweet potatoes amounted to 1,635,093 cases, approximately double the pack of 1940, according to the Association's Division of Statistics. Detail of this pack by style and can size for both years is presented in the following table:

1940	24/2 *Cases*	24/2½ *Cases*	6/10 *Cases*	No. 3 Vac. *Cases*	Misc. *Cases*	Total *Cases*
Solid	38,767	125,083	45,400	49,000	6,270	264,520
Syrup	110,253	76,443	17,622	43,390	4,953	252,661
Vacuum	....	....	....	288,872	....	288,872
Total	149,020	201,526	63,022	381,262	11,223	806,053
1941						
Solid	103,941	341,481	82,649	115,000	4,193	647,264
Syrup	279,358	134,101	31,610	73,899	3,837	522,805
Vacuum	....	....	....	465,024	....	465,024
Total U. S.	383,299	475,582	114,259	653,923	8,030	1,635,093

The above is a summary of reports of all canners known to have been packing sweet potatoes in 1940 and 1941.

1941 Spinach Pack Totals 4,150,166 Cases

The 1941 pack of canned spinach amounted to 4,150,166 actual cases, according to figures compiled by the Association's Division of Statistics. This compares with 4,206,130 cases in 1940, 3,327,968 cases in 1939, 2,401,041 cases in 1938 and 4,994,532 cases in 1937.

Details of the pack by regions for the years 1940 and 1941 are presented in the following table:

State	1940 *Cases*	1941 *Cases*
New York	122,723	223,757
Maryland and Delaware	707,085	333,529
Missouri and Arkansas	1,572,205	1,043,452
Texas and Oklahoma	126,233	233,841
California	1,314,756	1,682,049
Other States	363,128	633,538
Total	4,206,130	4,150,166

Canned Tomato Stocks and Shipments

Canned tomato stocks on March 1 totaled 4,369,669 cases, against 10,097,970 cases on the same date last year. Shipments during February were 2,161,522 cases against 2,000,355 last year.

Lend-lease Farm Product Deliveries to Feb. 1

A total of 3,747,000,000 pounds of agricultural commodities were delivered to representatives of the United Nations for Lend-lease shipment up to February 1, 1942, the Department of Agriculture announced March 17. Total cost of these commodities, bought by the Agricultural Marketing Administration and delivered at shipping points since operations started last April, was about $417,000,000.

During January, more than 435,000,000 pounds of food and other agricultural commodities were delivered for shipment, at a cost of about $50,000,000.

Outstanding among commodity groups delivered, with cumulative values up to February 1, were: Dairy products and eggs, about $131,000,000; meat, fish and fowl, $106,000,000; lard, fats and oils, $30,000,000; fruits and vegetables, $43,000,000. Other deliveries included grain and cereal products, concentrated fruit juices, vitamin concentrates, miscellaneous foodstuffs, and non-food agricultural commodities including cotton, tobacco and naval stores.

Included in these total deliveries for Lend-lease shipments were the following canned foods, delivered for United Nations shipments during the period April 29, 1941, through January, 1942:

Commodity	Quantity (*Pounds*)	Commodity	Quantity (*Pounds*)
Apples	464,000	Grapefruit	5,399,970
Apricots	6,298,844	Meat	168,673,254
Bacon	574,074	Peaches	9,179,589
Beans, Baked	64,842,579	Pears	15,909,474
Beans, Cut Runner	107,189	Peas	1,621,380
Beets	68,518	Potatoes	21,702,776
Carrots	155,720	Prunes	7,729,908
Chicken	399,630	Sausage	69,932
Fish	110,809,998		

FSCC Invites Canned Ration "C" Offers

The Federal Surplus Commodities Corporation announced March 17 that it contemplates the purchase of canned ration. Offers are desired only of Type "C", Unit M-3 canned ration in 2- or 2½-pound cans and must be in the hands of the Corporation by March 25. Acceptance in whole or in part will be made not later than March 27.

Since March 12 agencies of the Department of Agriculture have reported the purchase of 10,929,644 pounds of canned meat, 2,500 cases of canned fish flakes, and 1,065,300 cases of canned evaporated milk.

Army Invites Canned Milk and Bacon Bids

The Chicago Quartermaster has issued invitations to bid on 1,562,500 dozen 14½-ounce cans of unsweetened evaporated milk for domestic shipments with an alternative bid on 177,002 dozen 8-pound cans. The same invitation asks for bids on 520,832 dozen 14½-ounce cans for overseas shipments. Bids will be opened March 28.

The Chicago Quartermaster also is asking for informal bids on 6,944 dozen cans of dry salt cured bacon, type II, grade 1, in rectangular cans gold lacquered on the outside, 12 pounds net, packed six cans to the case. Bids are to be received by March 31.

DETAILS OF AMA ORGANIZATION

Department of Agriculture Consolidates Marketing Activities Under One Agency

Details of organization of the Agricultural Marketing Administration, bringing together major marketing services and programs into a single agency under the wartime reorganization of the Department of Agriculture have been announced.

The new Marketing Administration consolidates activities and functions previously carried out by the Surplus Marketing Administration, the Agricultural Marketing Service, and the Commodity Exchange Administration, together with the Federal Surplus Commodities Corporation as an agency of the Department.

The AMA general administrative group will include Associate Administrators E. W. Gaumnitz, formerly Associate Administrator of SMA, and C. W. Kitchen, formerly Chief of AMS; Assistant Administrators Ralph W. Olmstead, formerly Assistant to the Administrator of Agricultural Marketing and F. V. Waugh, formerly Assistant Administrator of Agricultural Marketing.

Major units of AMA are to be known as branches. Appropriate services and programs have been transferred to these different branches from the agencies that have been grouped in the consolidation. The branches are as follows: Purchase, Distribution and Warehousing, Commodity Exchange, Dairy and Poultry, Cotton, Grain, Feed and Seed, Livestock, and Fruit and Vegetable. These six branches will have general responsibility for programs, services, regulatory activities, research studies, and the compilation of necessary data regarding the production, processing and marketing of their individual commodities or commodity groups.

Details of the new organization of two of these branches, which deal closely with activities affecting canning is as follows:

Purchase Branch—Chief, H. C. Albin, formerly Chief of the Purchase Division of SMA. The Purchase Division of SMA is transferred to this branch. Purchases will continue to be made through FSCC, but the Corporation will not have a separate pay roll. This branch will be in charge of the purchasing and handling of agricultural commodities bought under the various AMA programs, including Lend-lease, Red Cross, direct distribution and school lunch.

Fruit and Vegetable Branch—Acting Chief, C. W. Kitchen, Associate Administrator. Transferred to this branch are the Fruit and Vegetable Division of AMS and the Fruit and Vegetable Division of SMA, together with all functions of the Marketing Division of SMA related to potatoes, sugar, honey, and vitamins, with the exception of vitamins derived from fish oil.

Wire, Don't Write, for Hotel Reservation

The demand for total accommodations in Washington has become so heavy that the Association finds it increasingly more difficult to make reservations for members coming to the capital on business unless considerable advance notice is given. Accordingly, it is urged that such requests for assistance in obtaining hotel rooms be sent to the Association as far in advance as possible. It is advised that members wire them in rather than depend on regular mail.

E. B. Gill, Veteran Canner, Dies at 78

Emmons B. Gill, 78, one of the canning industry's oldest active veterans, died February 23 at his home in Central Lake, Mich. Born in New York State in 1863, Mr. Gill had his first canning experience with the Franklinville Canning Co. where he helped install the first automatic pea podder ever used. He worked in New York State, Colorado, and Wisconsin canneries before helping establish the Central Lake Canning Company at Central Lake, Mich., in 1902. Later he organized the E. B. Gill Canning Company of which he was president, treasurer and general manager up to the time of his death.

NEW LICENSING REQUIREMENT

Supplements District of Columbia Income Tax in Effect Since 1939

Canners who are subject to the District of Columbia corporation income tax law, which imposes a tax on foreign corporations deriving income from "District of Columbia sources," will be interested in the new licensing requirements recently required by Congressional enactment. On or before April 3, 1942 all *corporations* engaging in or carrying on any business in the District of Columbia, or receiving income from District of Columbia sources, must obtain an annual license from the District of Columbia officials. The fee for this license is $10.00.

This new licensing provision supplements the District of Columbia corporation income tax that has been in effect since 1939, and applies to the same corporations that are subject to the corporate income tax. These corporations in the future must obtain a license in addition to paying the income tax. The scope and application of the District of Columbia corporation income tax was discussed in the INFORMATION LETTER of April 6, 1940, page 6154. It was there pointed out that the tax applies to all canners who derive income from District of Columbia sources. While the phrase "income from District of Columbia sources" has not yet been interpreted by court decision, the rulings of the District of Columbia Assessor, described in the INFORMATION LETTER, April 6, 1940, are still being followed and applied.

Canners who have considered themselves subject to the District of Columbia income tax should file applications for licenses prior to April 3, 1942. If their income tax returns have been filed under protest, the same procedure may be followed in filing the applications for a license. The law provides that all of the corporation's salesmen or representatives must (if the corporation does not have an office in the District of Columbia) carry certificates indicating that a license has been issued. These may be obtained free of charge at the time that the company's license is issued.

The Act imposes a penalty of $300 for engaging in business in the District of Columbia without having procured the required license. Each and every day of the violation is deemed to constitute a separate and distinct offense.

Copies of the form for licenses may be obtained by addressing a request to the Office of the Assessor, District Building, Washington, D. C.

PLAN TO DEVELOP DEHYDRATOR

Group of Canners Will Make Results of Studies Available to All Interested Parties

Experiments looking toward the speedy development of suitable vegetable dehydrating equipment that can be used by canners and food manufacturers whose operations may be curtailed by restrictions on the use of tin have been undertaken by a group of canners who will make the results of the experiments available to anyone who may be interested, probably by turning over all the information to the War Production Board or some other government agency.

John L. Baxter of the Food Supply Branch of WPB invited representatives of Standard Brands, Inc., Snider Packing Corporation, Curtice Brothers Company, and H. C. Baxter & Bro., to meet at the office of the National Canners Association in Washington, D. C., March 4 to discuss the possibilities of developing a suitable drier.

At this meeting Mr. Baxter outlined the importance of giving serious consideration to the dehydrating of vegetables, especially at this time when the tin situation is most acute. He discussed the various types of dehydration and stated that, in his opinion, a dehydrating unit could be built at a reasonable figure and yet produce a product acceptable alike for Army, Navy, and civilian use. Mention was made of the various governmental agencies conducting experiments in this field, but it was pointed out that the results of such work would not be completely available for some time. It is further believed, he stated, that an independent group could proceed much faster and reach a decision sooner than governmental agencies or institutions. Further, private groups in conducting work of this kind would do so with a commercial outlook on the entire situation.

Among those invited to discuss dehydrating were Lt. Col. Paul P. Logan of the Quartermaster Corps of the United States Army; Dr. Samuel J. Prescott of the Massachusetts Institute of Technology; Robert S. Hollingshead and William A. Noel of the Bureau of Agricultural Chemistry and Engineering, Department of Agriculture; Dr. Charles Hanes of the British Food Mission; and R. Harry Amenta, Consultant on Dehydrated Foods in WPB.

A committee to carry on the project was organized consisting of F. Webster Browne of H. C. Baxter & Bro., Brunswick, Maine, Chairman; H. J. Humphrey, Snider Packing Corporation, Rochester, N. Y.; W. S. Macklem, Curtice Brothers Company, Rochester, N. Y.; and W. L. Finger of Standard Brands, Inc., New York City. This committee arranged to employ Dr. Noel, who will take leave of absence from the Department of Agriculture to supervise the building of two types of dehydrators and conduct experiments at Los Angeles, Calif. Recently he has been experimenting with the dehydrating of meat at Beltsville, Md.

If the experiments are successful, the results of such experiments will be made available, including technical data and blue prints to anyone who may be interested. During the experiments visitors will be welcomed to inspect the plant and ask questions, and any suggestions they may have will be given serious consideration. The expenses for the experiment will be defrayed by this group, and will be their contribution toward meeting one problem of the present national emergency.

War Developments Affecting Canners

During the week a number of government regulations were issued by various Federal agencies which affect products that are used in canning operations. The following paragraphs briefly highlight some of these actions:

Corn Products is the name of a new section established in the Food Supply Branch of the War Production Board to deal with corn syrup, corn sugar, corn starch, soy bean cake or meal, soy bean flour, sorghum, and dextrin. A. E. Staley of Decatur, Ill., has been named chief.

Gasoline prices in 19 States along the Atlantic seaboard and in the Pacific Northwest were frozen by the Office of Price Administration at the levels of March 13. A 60-day temporary price regulation becomes effective March 23 and requires the posting of maximum prices for each grade of gas sold by filling stations in the designated area.

Hawaiian shipments from continental United States will be made hereafter only in accordance with lists of military and civilian requirements approved by the military governor of the Islands, who also is commanding general of the Hawaiian Department, according to an announcement by the Division of Industry Operations of WPB.

Retreaders and recappers of truck-type camelback have been granted allotments in an amendment to the revised tire rationing regulations. An original allotment of 300 pounds of camelback has been provided for retreaders and recappers for certain small-gauge truck tire molds. Machines which can recap or retread two or more tires simultaneously will be allowed a maximum of 1,500 pounds of truck camelback instead of the 750 pounds originally provided.

CANNERS APPEAR AT TAX HEARING

(Concluded from page 6911)

in production will, he explained, result in substantial increases in overhead costs. Mr. Stokely then pointed out that the present provision of the law which permits any unused excess profits credit to be carried over for use in future years, while designed to give canners some relief, is inadequate. It applies only to 1940 and subsequent years, none of which have been years of low earnings for most of the industry. He urged that the Committee should adopt a corollary to this credit carryover, and introduced a proposed amendment permitting canners, at their option, to carry forward as a reserve against future losses, 50 per cent of the income which would be subject to excess profits taxation for a particular year. This would be 50 per cent of the so-called adjusted excess profits net income after all permitted deductions, the specific exemption of $5,000, the excess profits credit, and any unused excess profits credit from earlier years have been deducted. (See INFORMATION LETTER No. 825, March 1, 1941, page 6455.) This 50 per cent would then be added to the excess profits net income of the next succeeding taxable year. If that year were a year of low earnings or losses, no excess profits tax would have to be paid, and the earnings carried forward would act as a reserve. If it were a year of good earnings, the canner would again carry forward 50 per cent of his taxable excess profits income (as increased by the addition of the 50 per cent from the preceding year). Mr. Stokely pointed out that such an amendment would be extremely beneficial to the canning industry since it would permit the setting aside of some reserve for loss years. If the loss years did not materialize, there would be no loss of revenue to the Treasury, since the reserve set aside would be subject to excess profit taxation in a subsequent year, possibly at higher rates. Once a canner elected to use this provision, he would have to continue doing so until the carryover had been fully taken up.

The proposed amendment reads as follows:

(d) LIMITED HAZARD DEDUCTION AND CARRYOVER.

(1) In the case of a taxpayer 65 per centum or more of the gross income of which for the taxable year is derived from farming or from processing, canning, or otherwise preparing for market any fruit or vegetable or seafood, the taxpayer may elect to determine "adjusted excess profits net income" in any taxable year by applying to the excess profits net income (as defined in section 711) the following deductions and adjustments:

(A) The deductions specified in subsection (b) of this section 710;

(B) A further deduction equal to 50 per centum of the remainder obtained after deducting from the excess profits net income (as defined in section 711) the deductions specified in subsection (b) of this section 710.

(2) The amount of any deduction taken under subparagraph (1)(B) of subsection (d) of this section 710 shall be added to the excess profits net income for the next succeeding taxable year. If the taxpayer elects to compute adjusted excess profits net income pursuant to this subsection (d), it shall be deemed to have made an irrevocable election to continue doing so in each succeeding taxable year and to carry over into excess profits net income for each successive taxable year the amount of any deduction taken under subparagraph (1)(B) in the preceding taxable year. In the event of reorganization, dissolution, or discontinuance of business for any reason by any taxpayer which has so elected, the amount of any deduction taken under subparagraph (1)(B) in the preceding taxable year shall be restored to its adjusted excess profits net income for such preceding taxable year and any resulting additional excess profits tax shall be levied and imposed as though such deduction had not been taken.

Labeling and Dehydration on Packaging Program

The Twelfth Annual Packaging, Packing and Shipping Conference and Exposition, sponsored by the American Management Association, will be held April 14 through April 17 at the Hotel Astor, New York, N. Y. The morning session of April 16 features addresses on "Informative Labeling Under Price Control and Material Shortage" by Roger Wolcott, executive secretary of the National Consumer-Retailer Council and on "The Packaging of Dehydrated Foods," by L. K. Harper, vice president of Sardik Food Products Corporation.

Clarence Twiton, Wisconsin Canner, Dies

Clarence Twiton, vice-president of the Fuhremann Canning Company, died at his home at Appleton, Wis., on March 16, following a heart attack. Mr. Twiton had been actively connected with the Fuhremann Company at Sun Prairie, Lanark, and Appleton for more than 25 years.